

Message Text

UNCLASSIFIED

PAGE 01 SEOUL 05815 060435Z
ACTION XMB-04

INFO OCT-01 EA-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 OPIC-06
SP-02 OMB-01 /070 W
-----027592 061232Z /11
R 060226Z JUL 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 2084

UNCLAS SEOUL 5815

DEPARTMENT PASS US EXIMBANK

E.O. 11652: N/A
TAGS: EFIN, BENC, KS
SUBJECT: MAJOR PROJECT: REQUEST FOR EXIMBANK FUNDING FOR THIRD
SEOUL DAILY EXPANSION

1. EMBASSY HAS BEEN APPROACHED BY KOREAN REPRESENTATIVE OF EXCELLO CORP. (HANIL JONG UP) TO REQUEST AN ADVISORY OPINION FROM U.S. EXIMBANK RE ITS WILLINGNESS TO FINANCE A MAJOR DAILY EXPANSION IN SEOUL THAT WILL GENERATE VERY SIZEABLE AFTERSALES, POTENTIALLY LEAD TO THE WEANING OF THE ENTIRE KOREAN DAILY INDUSTRY FROM EUROPEAN TO U.S. MACHINERY, MANAGEMENT AND SUPPLIES, AND OPEN THE POSSIBILITY OF COLLABORATIVE ROK-U.S. DAIRY CONSTRUCTION PROJECTS IN THE MIDDLE EAST AND AFRICA.

2. AT THE PRESENT TIME, THE TWO MAJOR DAILY PLANTS OF THE SEOUL DAIRY COOPERATIVE USE AGEING GERMAN EQUIPMENT PROVIDED SOME YEARS AGO UNDER FRG AID PROGRAMS WHICH HAVE BEEN TERMINATED. THROUGHOUT KOREA, MILK IS MARKETED IN SWEDISH TETROPAC CONTAINERS WHICH ARE LIMITED IN SIZE TO THE METRIC EQUIVALENT OF A HALF-PINT CONTAINER AND WHICH DO NOT AFFORD THE SPOILAGE RESISTANCE OF U.S. PROCESSED MILK AND STURDIER AND MORE HYGIENIC U.S. CONTAINERS. COMMUNICATION WITH
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SEOUL 05815 060435Z

EUROPEANS AND SPARE PARTS ACQUISITION HAVE BEEN DIFFICULT PROBLEMS FOR THE DAILY INDUSTRY.

3. THE COOPERATIVE, WHICH NEVERTHELESS HAD REPORTEDLY HOPED FRO GERMAN ASSISTANCE IN EXPANSION AND MAMAGEMENT, TURNED TO THE EXCELLO REPRESENTATIVE WHO HAS BEEN PROMOTING U.S. TECHNOLOGY. THE DAILY PROPOSES TO BUILD A THIRD MILK PROCESSING

PLANT IN SEOUL ON A TURNKEY BASIS AT A COST OF \$17 TO 20 MILLION OF WHICH \$10 MILLION WOULD BE FOR U.S. EQUIPMENT AND A THREE TO FIVE YEAR MANAGEMENT CONTRACT. PACKAGING WOULD BE IN PUREPAC CONTAINERS AND THE EXCELLO CORP. OF THE U.S. IS REPORTEDLY INTERESTED AND ABLE TO SUPPLY ALL THE IMPORTED ELEMENTS OF THE PLANT AND SUPERVISE AND MANAGE THE TOTAL PROJECT. ON THE BASIS OF EXPERIENCE WITH THE NEW PLANT, THE COOPERATIVE WOULD AFTERWARDS CONVERT ITS OTHER PLANTS TO U.S. EQUIPMENT AND PACKAGING. EXCELLO REP. BELIEVES THAT PRIVATE DAIRIES IN KOREA WOULD FOLLOW SEOUL DAIRY'S LEAD IN CONVERTING TO U.S. STANDARDS.

4. THE EXCELLO REPRESENTATIVE IS ALSO IN DISCUSSION WITH HIS CLIENT, THE OLD DOMINION DAILY OF NORFOLK, VA., OPERATOR OF THE U.S. EIGHTH ARMY RECONSTITUTED MILK PLANT IN SEOUL, ON A THIRD PHASE OF THIS PROJECT. R.O.K. CONSTRUCTION COMPANY CANDIDATES FOR COLLABORATING IN BUILDING A U.S. PLANT IN SEOUL WOULD ALL BE WILLING TO JOIN EXCELLO AND OLD DOMINION IN DESIGNING AND BUILDING RECONSTITUTED MILK PLANTS AND DISTRIBUTION SYSTEMS (USING U.S. POWDERED MILK AND U.S. MADE REFRIGERATED DELIVERY TRUCKS) IN PLACES SUCH AS SAUDI ARABIA, KUWAIT, NIGERIA AND LIBYA, WHERE THEY HAVE BUILT STRONG BIDDING POSITIONS.

5. COOPERATIVE HAS NOT YET RAISED ITS PROJECT WITH THE ECONOMIC PLANNING BOARD AND HAS NO REPEAT NO FINANCIAL SOURCES
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SEOUL 05815 060435Z

FOR IT. HOWEVER, IT REPORTEDLY ESTIMATES THAT IT CAN EASILY HANDLE A LOAN WHICH WOULD PROVIDE A FIVE YEAR GRACE PERIOD, SEVEN YEARS REPAYMENT WITH INTEREST PLUS GUARANTEE FEES TOTALLING UNDER 10 PERCENT PER ANNUM.

6. EMBASSY BELIEVES THAT EPB WOULD GIVE THIS PROJECT A PRIORITY BECAUSE SOCIAL WELFARE AND DAIRY LIVESTOCK EXPANSION IS BEING ENCOURAGED AND THEREFORE PROVISION MUST BE MADE FOR HANDLING INCREASED SUPPLY AS WELL AS DEMAND FOR MILK PRODUCTS. ALTHOUGH, IT IS DOUBTFUL THAT EPB WOULD GIVE PRIORITY TO PRIVATE FIRMS FOR SUCH A PROJECT, STANDING POLICIES AFFORD ROKG BACKING FOR NATIONAL AGRICULTURAL COOPERATIVE FEDERATION (NACF) MEMBERS SUCH AS THE SEOUL DAIRY.

7. ACTION REQUESTED: ADVISORY OPINION BY U.S. EXIMBANK RE WHETHER TERMS DESIRED BY THE DAIRY WOULD BE ACCEPTABLE FOR MILK PLANT EQUIPMENT PROVIDED EPB AFFORDED THE PROJECT A PLACE ON ITS US EXIM PRIORITY LIST.
STERN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 06 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL05815
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780277-0362
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780790/aaaacxwy.tel
Line Count: 113
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0466827a-c288-dd11-92da-001cc4696bcc
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2102695
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT: REQUEST FOR EXIMBANK FUNDING FOR THIRD SEOUL DAILY EXPANSION
TAGS: EFIN, BENC, KS, XMB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/0466827a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014